

EXHIBIT 93

WAR EMERGENCY PIPE-LINE SYSTEMS AND OTHER PETROLEUM FACILITIES

HEARINGS

BEFORE THE

SPECIAL COMMITTEE INVESTIGATING
PETROLEUM RESOURCES

AND THE

SURPLUS PROPERTY SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

WAR EMERGENCY PIPE-LINE SYSTEMS AND
OTHER PETROLEUM FACILITIES

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THURSDAY, NOVEMBER 15, 1945

UNITED STATES SENATE,
SPECIAL COMMITTEE INVESTIGATING PETROLEUM
RESOURCES AND SURPLUS PROPERTY SUBCOMMITTEE
OF THE COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The special committee and subcommittee met, pursuant to notice, at 10 a. m., in room 424, Senate Office Building, Senator Joseph C. O'Mahoney presiding.

Present: Senators O'Mahoney (chairman), Moore, Overton, and La Follette.

Also present: Henry S. Fraser, chief counsel, Special Committee Investigating Petroleum Resources; and Kurt Borchardt, counsel, Surplus Property Subcommittee of the Committee on Military Affairs.

Appearances:

Government Agencies

Reconstruction Finance Corporation: Sam H. Husbands, Member, Board of Directors; George Stoner.

Surplus Property Administration: Raymond T. Bowman, J. S. Jenner, and Elmer E. Batzell.

Department of Justice: Watson Snyder.

War Department: Brig. Gen. H. L. Peckham, Army-Navy Petroleum Board.

Navy Department: Capt. C. P. Franchot, liaison officer.

War Mobilization and Reconversion: Alex B. Daspit.

Department of Commerce: H. B. McCloy and Robert M. Weidenhammer.

Federal Trade Commission: William H. England, Director, Division of Accounts, Statistics, and Economic Investigations; and Donald B. Gatling, assistant chief examiner.

War Shipping Administration: Roy E. Anderson, Tanker Division.

Railroads

J. H. Souby, general solicitor of the Association of American Railroads.

Industry

W. Alton Jones, Cities Service Co., chairman, Committee on Post-War Disposal of Pipe Lines, Refineries, and Tankers.

Hines H. Baker, executive vice president, Humble Oil & Refining Co., Houston, Tex.

mittee have been working for several months on the preparation of this material. They assured me at the beginning that they were going to try to present the most completely balanced picture that it was possible to get. Mr. Jones, who will introduce the witnesses, is cooperating in the program announced by the Chair that is to say, he and his witnesses will in their introduction not only by members of the committee but also by representatives of the Government and representatives of the industry who are gathered here. With that preliminary, Mr. Jones we will be very glad to have you make your opening statement.

STATEMENT OF W. ALTON JONES, CHAIRMAN, COMMITTEE ON POSTWAR DISPOSAL OF PIPE LINES, REFINERIES, AND TANKERS

Mr. JONES. Mr. Chairman and members of the committee, I suppose I am not especially adept at testifying and in order to save time I have reduced to a written statement some things which I want to say in introduction. May I say, however, that at any time any one on the committee wishes to interrupt or ask a question, it will be perfectly in order so far as I am concerned.

My name is W. Alton Jones. I am president of Cities Service Co., and have been associated in various capacities with that company and its affiliates or subsidiaries for the past 33 years. Since the outbreak of the war I have been a member of various committees appointed by the Petroleum Administrator for War or the Petroleum Industry War Council for the purpose of assisting the Government in our war effort and have served as chairman of the following: General Committee, District No. 1; Supply and Transportation Committee, District No. 1; Temporary Joint Pipeline Managing Subcommittee; Committee on Supply and Transportation; and Pipeline Management subcommittee.

I was chairman of the organization committee for National Defense Pipelines, Inc., and am president of the successor corporation, War Emergency Pipelines, Inc., the nonprofit corporation which built and is operating on behalf of the Government the two large transcontinental pipe lines—the Big Inch and Little Big Inch—extending from Texas to New York and Philadelphia.

In appearing before you today I do so as chairman of an industry committee appointed to prepare material for presentation to you gentlemen on postwar disposal of pipe lines, refineries, and tankers. Other members of this committee are as follows:

Hines H. Baker, executive vice president, Humble Oil & Refining Co., Houston, Tex.

Paul G. Blazer, chairman of the board, Ashland Oil & Refining Co., Ashland, Ky.

E. Buddrus, president, Independent Natural Gas Association of America, Oklahoma City, Okla.

A. L. Christy, transportation division, Pure Oil Co., Chicago, Ill.

Robert H. Colley, president, the Atlantic Refining Co., Philadelphia, Pa.

O. D. Donnell, president, Ohio Oil Co., Findlay, Ohio.

Fayette B. Dow, attorney, Washington, D. C.

W. R. Finney, pipe-line adviser, Standard Oil Co. (New Jersey), New York, N. Y.

B. I. Graves, vice president, Tide Water Associated Oil Co., New York, N. Y.

Jake L. Hamon, partner, Cox & Hamon, Dallas, Tex.

Orville Harden, vice president, Standard Oil Co. (New Jersey), New York, N. Y.

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The CHAIRMAN. There was not a division of opinion at the time that these pipe lines were put down as to whether or not they would be available for postwar use?

Mr. JONES. Yes, there was Mr. Chairman.

The CHAIRMAN. And many expressed the opinion when they went down they were down to stay?

Mr. JONES. That is right, that they would be used postwar. As a matter of fact, there was a great deal of concern expressed by some operator in the oil business that these lines would prove to be not only a white elephant but a threat to the postwar economy of the oil business. One of the reasons for the delay in the building of these lines was that expressed opposition.

Then, too—and this is no secret either—some of the railroads did not particularly want to encourage the building of additional facilities. I don't mean to say that they were unpatriotic, but they don't like any more than the rest of us like to see another possible competitor on the scene. Inland refineries were concerned about the possibility of products manufactured on the Gulf coast being dumped into the markets they had spent years developing and spent millions of dollars to serve.

The CHAIRMAN. It is interesting to note in this connection that the pipe line which was built by the American Army up the Rhone Valley in France, a distance of 505 miles at a cost of several million dollars—and it was not, of course, as large a pipe line as any of these—is now being torn up because neither the Government of France nor any private industry in France has the American dollars with which to purchase it. That pipe line used for war is being scrapped, I understand. The question arises, are we going to scrap ours, or do we have the imagination to use it?

Mr. JONES. I certainly would not recommend that we scrap it. There will be nothing presented here, as far as I am concerned, in this testimony which recommends the scrapping or junking of these lines. They have some postwar value.

Senator OVERTON. You say the railroads at the time gave some opposition to the construction of these pipe lines during wartime. What is the present attitude of the tankers with respect to continued use of these pipe lines?

Mr. JONES. There are two schools of thought, sir, on that question. Of course, a large number of tankers are owned by the oil companies, so they could be realistic about the problem as they have an interest both in pipe-line operation and tankers. The tanker owners and operators have expressed, with some degree of facts behind them, that they can beat the cost of movement of oil in pipe lines with tankers. There are two reasons for that.

Except as you have an ideal set of conditions—which will be developed later in the testimony here—you cannot get low-cost transportation via pipe line. I mean by that that the load factor in the pipe line is all important. It takes 550,000 barrels of oil and products a day to keep these lines running to capacity, and it is not an easy matter for one company, two, or three or a dozen to find 550,000 barrels of oil a day in Texas to put into these lines.

Under wartime operation, the oil business operated under directives of the Petroleum Administration for War, so that there was no ques-

tion about what was going to happen to these lines, as everybody was ordered to divert oil and deliver it at the receiving terminals of the big lines sometimes by expensive means to keep these lines running to capacity, and that was done in the interest of the war effort because we needed every barrel of oil we could deliver to the East.

To those who have any question in their minds about the wisdom of building these lines, let me say this: Every other transportation facility available was used throughout the period of this war, and in addition to that these two lines were kept running at full capacity until the war was over. That means simply this: Without the 550,000 barrels of crude oil and products delivered daily through these lines, in my judgment the war would not yet be over. We would never have been able to supply the fighting fronts or plants on the east coast that produced the instruments of war.

The CHAIRMAN. By whom were these pipe lines managed?
Mr. JONES. They were managed, sir, by a company of which I happen to be the president, known as War Emergency Pipe Lines, Inc. It was a nonprofit organization organized by the 11 companies that I referred to a moment ago. They each subscribed \$1,000 apiece for the capital stock of the corporation in order to bring the corporate entity into being; then these 11 large operating oil companies drew upon their own organizations and borrowed men from large and small companies throughout the United States to manage and run these lines.

Many of the men who ran the lines, or helped to do it are in this room today, some of the best talent, I think, in the world in pipe-line operation.

Of course, that was part of our war job. We got no money out of it, and shouldn't have got any money out of it. It was a part of the war service which the oil industry rendered. I am not here to make this speech polishing the halo of the oil business.

Senator OVERTON. In order that I may get a full picture of the scope of this inquiry and what is suggested to be done with respect to these pipe lines, is there any suggestion—and I may ask the chairman whether there is going to be any inquiry—as to whether these pipe lines are to be converted into natural gas carriers?

Mr. JONES. We expect, Senator, to develop that point fully here later in the hearing.

The CHAIRMAN. It may be proper for me to say, Senator Overton, in response to your question, that the Surplus Property Administrator under the Surplus Property Act must make a report to Congress with respect to the disposal of all facilities costing more than \$5,000,000, and that report must be in the hands of Congress for at least 30 days before anything more than a 5-year lease may be granted.

Now, the Surplus Property Administration's report has not yet been presented to Congress. I understand that it is in the course of preparation. This hearing is designed to give the oil industry in all its branches, the large companies and the independent companies, the gas industry, the coal industry, and the railroad industry the opportunity to state their points of view so that Congress and the Surplus Property Administration may have the benefit of this accumulated wisdom.